GOVERNMENT OF INDIA
COMMUNICATIONS
LOK SABHA

UNSTARRED QUESTION NO:1174
ANSWERED ON:30.07.2001
MAINTENANCE OF ACCOUNTS IN MAHANAGAR TELEPHONE NIGAM LIMITED
PRABHUNATH SINGH

Will the Minister of COMMUNICATIONS be pleased to state:

(a) whether the Comptroller and Auditor General (C&AG) has criticised the Mahanagar Telephone Nigam Limited (MTNL) for not maintaining proper accounts as reported in the Economic Times dated June 13, 2001;

(b) if so, the facts and details thereof; and

(c) the reaction of the Government thereto?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS (SHRI TAPAN SIKDAR)

(a) No, Sir. The Comptroller and Auditor General of India for the period ended 31st March 2000 u/s/ 619(4) of the Companies Act 1956 has only commented with regard to certain accounting practices followed by MTNL and also o the report of the Auditors which is customary as per the requirements of the Companies Act.

(b) The facts as well as replies furnished by the Management are enclosed as Annexure-A.

(c) Since the matter has been placed before the Board of Directors, AGM and the Parliament no further reaction is needed from the government as corrective steps have already been taken by the Company.

Annexure-A

MTNL was established in the year 1986 by transferring the assets of Delhi and Mumbai Telephones.MTNL has been following the Government/ Department of Telecommunications procedure in respect of accounting of fixed assets which is in variance with the accounting standards prescribed by the Institute of Chartered Accountants. However, the Company has already taken action for the verification of the fixed assets. Keeping in view the volume and size of the fixed assets, the Board of Directors of the Company have decided to have physical verification done over a period of three years by rotation. For the year 2000-2001, the land and buildings of the Company have been physically verified. The auditors also have accepted the practice adopted by the Company.

2. For the reconciliation between DoT and MTNL, a core group has been formed with officers from both DoT and MTNL and the reconciliation work is in progress.

3. Advance Telephone income of Rs.62.10 million has since been adjusted to income from services in March 2001.

4. Expenditure on Millennium gifts, employees remuneration and benefit amounts to Rs.17.77 million has since been booked in the accounts of MTNL in June, 2001.

5. Excess provision for property tax made in the accounts of MTNL for 1999-2000 was adjusted in August 2000.

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(i) As on 31.3.2001 the demand of Rs.553.00 crores was raised by the IT Department for the assessment years 1995-96 to 1998-99 which is under dispute and the amount has been shown under contingent liability in the accounts.

(ii) Balance sheet abstract and Company`s General Business Profile was depicted in the Printed Annual Report 1999-2000.

(iii) A writ petition was filed before the Hon`ble High Court of Delhi and the same was admitted.The date of hearing was fixed on 17.1.2001. the case has been decided in favour of the Company. Since the case was sub-judice, no provision has been made in the accounts.

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(i) Correct figure of unsanctioned expenditure included in the fixed assets was Rs.2554.88 million.

(ii) Task Force has been created for review of old cases of WIP from 1986-87 to 1999-2000 and accordingly action for capitalization/ write off will be taken.

(iii) Necessary reconciliation of Provident Fund account has since been done and amount due has been paid to Provident Fund Trust.

8. This is on going process and steps are being taken to reconcile the metered calls with calls taken in accounts records.